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LISTING STATEMENT NO. 2451.

LISTED MAY 20, 1970.

1,110,000 Common Shares without par value of which
110,000 Shares are subject to issuance.
Stock Symbol "RIP".
Post Section 11.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

RIPLEY INTERNATIONAL LIMITED

Incorporated under the Laws of the Province of Ontario
by Letters Patent dated April 25, 1963

CAPITALIZATION AS AT APRIL 30, 1970

(A) SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Common Shares without par value	3,000,000	1,000,000	1,110,000*
* of which 110,000 common shares are subject to issuance			

(B) TERM DEBT			
Term Bank Loan	\$1,000,000 U.S.	\$1,075,625 Canadian	Nil
Mortgage of a subsidiary		\$ 70,013	Nil

April 30, 1970

1. APPLICATION

RIPLEY INTERNATIONAL LIMITED (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 1,110,000 common shares without par value of the Company, of which 1,000,000 common shares have been issued and are outstanding as fully paid and non-assessable. The remaining 110,000 common shares included in this application have been reserved as follows:

Employees' stock options at \$7.00 per share expiring on or before: July 8, 1974	25,000
August 5, 1974	8,000
Reserved for employees' stock option plan but not yet granted	17,000
Reserved in respect of outstanding share purchase warrants exercisable on or before April 30, 1974, at \$10 per share	60,000

2. HISTORY

The Company was incorporated under the laws of the Province of Ontario by letters patent dated April 25, 1963, under the name Talex Corporation Limited. By supplementary letters patent dated April 25, 1969, the authorized capital of the Company was changed to its present form and by supplementary letters patent dated May 29, 1969, the name of the Company was changed to Ripley International Limited and the Company was converted from a private company to a public company.

In 1963 the Company obtained a license from the former owners of the Ripley's "Believe It Or Not" trade marks to establish a Ripley's "Believe It Or Not" museum at Niagara Falls, Ontario. In 1966 the Company, through a wholly-owned subsidiary, Talex California, Inc. established an additional Ripley's "Believe It Or Not" museum at Fisherman's Wharf, San Francisco.

On April 28, 1969, the Company acquired from its President, Mr. T. Alec Rigby, all the issued and outstanding shares of Talex Illinois, Inc. and of International Wax Museums Limited in exchange for the issue from treasury of 210,000 shares of the Company. These companies established a Ripley's "Believe It Or Not" museum in Old Town, Chicago, in October of 1968, and a wax museum under licence from Josephine Tussaud Ltd. at St. Petersburg Beach, Florida, in 1963.

On April 30, 1969, the Company, through a wholly-owned subsidiary, Talex New York, Inc. (now Ripley International, Inc.) purchased all the issued and outstanding shares of Ripley Enterprises, Inc., John Arthur Exhibitions, Inc., Ripco, Inc., B.I.O.N. Enterprises Corporation, and Ripley Museum, Inc. (the "Ripley Companies") for a total cash consideration, including legal and other costs, of \$4,404,466. The Ripley Companies owned the Ripley "Believe It Or Not" trade marks and museums located at St. Augustine, Florida, and Times Square, New York City.

The Company plans to open a further Ripley's "Believe It Or Not" museum in Gatlingburg, Tennessee, within a few weeks.

3. NATURE OF BUSINESS

The principal business of the Company is marketing the Ripley's "Believe It Or Not" theme to the public through the presentation of authentic phenomena of an unusual nature. This concept is marketed through museums owned by the Company and through publications, broadcasts and advertisements produced under licence from the Company. The Company has approximately 50 employees.

4. INCORPORATION

The Company was incorporated under the laws of the Province of Ontario by letters patent dated April 25, 1963, with an authorized capital of \$40,000 divided into 3,600 preference shares with a par value of \$10 each and 4,000 common shares without par value, of which 3 such common shares were issued and outstanding prior to April 25, 1969; supplementary letters patent were issued to the Company under date of April 25, 1969, which among other things (i) decreased the authorized capital of the Company by cancelling the then authorized but unissued 3,600 preference shares, (ii) sub-divided each of the three issued and outstanding common shares into 70,857 common shares without par value, and (iii) increased the authorized capital to 3,000,000 common shares without par value. On May 29, 1969, further supplementary letters patent were issued to the Company changing its name from Talex Corporation Limited to Ripley International Limited and changing the Company from a private company to a public company.

5. SHARE ISSUES DURING PAST TEN YEARS

Common Shares without par value

<u>Date of Issue</u>	<u>No. of Shares Issued</u>	<u>Amount Realized Per Share</u>	<u>Total Amount Realized</u>	<u>Purpose of Issue</u>
July 29, 1963	3*	\$1	\$ 3	Cash
April 28, 1969	160,000	Issued in exchange for all of the issued shares of Talex Illinois, Inc. valued at \$1,120,000 or \$7 per share issued.		
April 28, 1969	50,000	Issued in exchange for all of the issued shares of International Wax Museums Limited valued at \$350,000 or \$7 per share issued.		
April 28, 1969	3,571	\$7	\$ 25,000	Cash
April 28, 1969	2,428	Issued in consideration for the assumption of a debt of the Company in the principal amount of \$16,996 or \$7 per share issued.		
July 9, 1969	571,430	\$6.30	\$3,760,010	Cash

*subsequently sub-divided into an aggregate of 212,571 common shares

6. STOCK PROVISIONS AND VOTING POWERS

Every holder of a common share is entitled to one vote for each common share held by him at all meetings of the shareholders of the Company.

7. DIVIDEND RECORD

The Company has not paid any dividends since its incorporation except a dividend of \$35,000 in December, 1968, on its then outstanding common shares.

8. RECORD OF PROPERTIES

Trade Marks

The Company's property consists mainly of its trade marks and exhibition materials. The trade marks which are registered in North America are as follows:

U.S. Registered Trade Marks

BELIEVE IT OR NOT	....	....	....	....	No. 198,531
Ripley	....	....	....	....	No. 355,388
Believe It Or Not!	....	....	....	....	No. 355,396
Ripley	....	....	....	....	

Canadian Registered Trade Marks

BELIEVE IT OR NOT					Nos. 101,724 and 102,036
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Mexican Registered Trade Marks

AUNQUE UD. NO LO CREA					Nos. 74331 and 74332
BELIEVE IT OR NOT					Nos. 74333 and 74334
RIPLEY'S	....	....	....	....	Nos. 74335 and 74337

Exhibition Materials

Most of the Company's exhibition materials were previously owned by the Ripley Companies which acquired them from various sources including the estate of Robert Ripley, the originator of the Ripley's "Believe It Or Not" concept.

Other Property

A subsidiary owns two acres of land at St. Petersburg Beach, Florida, on which a museum is situated. This property is subject to two mortgages. Another subsidiary owns approximately one-quarter of an acre of land in St. Augustine, Florida, on which are situated advertising billboards. All of the Company's museums, other than the museum located at St. Petersburg Beach, are situated in leased premises.

9. SUBSIDIARY COMPANIES				
Name of Company	Particulars of Incorporation	Authorized Capital	Issued Capital	
			Shares	Amount*
Talex California, Inc.	California— September 16 1966	2,500 common par value \$10	50	\$ 500
Talex Illinois, Inc.	Illinois— January 15 1968	1,000 common par value \$100	10	1,000
Talex Tennessee, Inc.	Tennessee— January 26 1970	1,000 shares no par value	10	1,000
Ripley Museum, Inc.	New York— April 1 1960	200 common no par value	100	2,500
Ripley International, Inc.	New York— April 29 1969	100 common no par value	10	3,050,010
Ripco, Inc.	New York— January 16 1963	200 common no par value	100	500
John Arthur Exhibitions, Inc.	New York— September 20 1949	200 common no par value	20	200
International Wax Museums Limited	Ontario— June 28 1962	4,000 common no par value 3,600 preference par value \$10	20 nil	186,797 (Canadian)
London Wax Museum of Florida, Inc.	Florida— October 24 1962	1,000 common par value \$1 900 preference par value \$10	100 90	100 900
Standard Outdoor Advertising, Inc.	Florida— October 30 1969	100 common no par value	15	1,500

*All amounts are expressed in terms of United States Dollars, unless otherwise indicated.

NOTE: (i) In December, 1969, Ripley Enterprises, Inc. and B.I.O.N. Enterprises Corporation, formerly subsidiaries of the Company, were merged into Talex New York, Inc., the name of which has subsequently been changed to Ripley International, Inc.

(ii) All subsidiaries carry on business similar to or related to and complimentary with that of the Company and all are wholly-owned by the Company.

10. FUNDED DEBT

Term bank loan

The bank loan bears interest at 1½ % above the bank prime rate of interest in New York and is repayable in fifteen quarterly installments of U.S. \$50,000 commencing August 1, 1970, with the balance due on May 1, 1974. In addition to the aforementioned quarterly installments, to the extent consolidated net earnings (as defined) of the Company and subsidiaries in fiscal years commencing with the year ending October 31, 1970, exceed \$200,000, prepayments equal to the lesser of \$125,000 or 50% of such excess are required to be made on February 1 of the year following such fiscal year. The required prepayments may be made by the Company in whole or in part in advance.

The bank loan is secured by the guarantees of subsidiaries and by the pledging of their shares. In connection with the loan, the Company has agreed, among other things,

- to maintain its consolidated working capital at not less than \$150,000. For this purpose consolidated working capital is defined as the excess of current assets over current liabilities exclusive of any current due portion of the term bank loan.
- not to make certain cash disbursements (as defined), including cash dividends, in any year in excess of 50% of consolidated net earnings (as defined) for the preceding year.

Mortgages

Mortgages which are secured by the real estate of a subsidiary consist of:

6¼ % first mortgage due March 1, 1980	.....	\$76,152
6% second mortgage due February 1, 1971	.....	5,926
		\$82,078
Less principal installments due within one year included with current liabilities	.....	12,065
		\$70,013

11. OPTIONS

(a) The Company has established an Employee Share Option Plan which provides for the granting of options from time to time to full-time senior officers and employees of the Company and its subsidiaries (other than to the Company's President, Mr. T. Alec Rigby) to purchase within a period of 5 years from the date of grant of the option an aggregate of up to 50,000 common shares of the Company at a price not less than the fair market value of the shares as determined by the mean of the bid and ask quotation for the shares on the over-the-counter market, or, as and from the date on which such shares are listed on The Toronto Stock Exchange, as determined by the last reported price at which the shares of the Company were traded on The Toronto Stock Exchange on the last business day before the date on which the option is granted or, if no trade is reported on that day, as determined by the mean of the bid and ask quotation for the shares on such Exchange at the close of business on that day. Subject to the foregoing limitation, the said purchase price shall be determined from time to time by the Board of Directors and may vary between options granted under the Plan. Options have been granted pursuant to the Plan with respect to 33,000 common shares, entitling the employees concerned to purchase common shares at \$7 per share, at any time prior to July 8, 1974, with respect to 20,000 common shares and at any time prior to August 5, 1974, with respect to 13,000 common shares.

(b) OTHER RESERVED SHARES

Share Purchase Warrants:

On April 30, 1969, the Company issued share purchase warrants entitling the holders from time to time thereof to purchase at any time up to April 30, 1974, an aggregate of 60,000 common shares of the Company at \$10 per share.

12. LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company listed on any other Stock Exchange.

13. STATUS UNDER SECURITIES ACTS

A prospectus dated June 26, 1969, relating to the offering by the Company of 571,430 common shares of the Company was filed in the Provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, and New Brunswick in late June and early July, 1969.

14. FISCAL YEAR

The fiscal year of the Company ends on October 31, in each year.

15. ANNUAL MEETINGS

The By-laws of the Company provide that subject to compliance with The Corporations Act, the annual meeting of the Company shall be held on such day in each year and at such time as the Board of Directors may by resolution determine. The last annual meeting of shareholders of the Company was held on March 31, 1970, at The Royal York Hotel, Toronto, Ontario.

16. HEAD AND OTHER OFFICES

The head office of the Company is located at Suite 106, 110 St. Clair Avenue West, Toronto, Ontario, Canada.

17. TRANSFER AGENT

The Transfer Agent of the Company is Canada Permanent Trust Company at its principal offices in the Cities of Vancouver, Calgary, Toronto and Montréal. Share certificates of the Company are mutually interchangeable at such places.

18. TRANSFER FEE

No fee is charged on stock transfers other than the customary Government stock transfer taxes.

19. REGISTRAR

The Registrar of the Company is Canada Permanent Trust Company at its principal offices in the Cities of Vancouver, Calgary, Toronto and Montréal.

20.

AUDITORS

The auditors of the Company are Messrs. Clarkson, Gordon & Co., Chartered Accountants, P.O. Box 251, Toronto Dominion Centre, Toronto, Ontario.

21.

OFFICERS

The Officers of the Company are:

<u>Name</u>	<u>Office</u>	<u>Home Address</u>	<u>Occupation during past 5 years</u>
Thomas Alexander Rigby	President	253 Warren Road Toronto, Ontario	Chief Executive Officer of the Company
Charles H. H. Bristoll	Executive Vice-President and Treasurer	23 Munro Boulevard Willowdale, Ontario	Chief Financial Officer of the Company*
Rita Vivien Poole	Secretary	279A Glenforest Road Toronto, Ontario	Officer of the Company

22.

DIRECTORS

The Directors of the Company are:

<u>Name</u>	<u>Home Address</u>	<u>Occupation during past 5 years</u>
Thomas Alexander Rigby	253 Warren Road, Toronto, Ontario	Chief Executive Officer of the Company
C. H. H. Bristoll	23 Munro Boulevard, Willowdale, Ontario	Chief Financial Officer of the Company*
J. B. W. Carmichael	155 Warren Road, Toronto, Ontario	President — City Buick Pontiac GMC Ltd.
William A. Corbett	240 Inglewood Drive, Toronto, Ontario	Partner, Fraser & Beatty
Norman J. Short	4 May Street, Toronto, Ontario	Investment Counsel
J. D. Meekison	11 MacLennan Avenue, Toronto, Ontario	Director, Nesbitt Thomson & Company Limited*

*Messrs. C. H. H. Bristoll and J. D. Meekison, in addition to their occupations shown above, have had the following principal occupations within the five years preceding the date hereof: prior to March, 1966, Mr. C. H. H. Bristoll was Controller of H. P. Ruggles Company Limited (Electrical distributor) and from March, 1966, to June, 1969, was Chief Financial Officer of Andres Wines Limited (Winery); prior to September, 1965, Mr. J. D. Meekison was employed by E. F. Hutton & Company, Inc., Investment Bankers.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors Ripley International Limited hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

RIPLEY INTERNATIONAL LIMITED



Per: "CHAS. H. BRISTOLL",
Executive Vice-President

Per: "W. A. CORBETT",
Director

DISTRIBUTION OF COMMON STOCK AS OF MARCH 26, 1970

<u>Number</u>		<u>Shares</u>
6	Holders of 1 — 24 share lots	24
24	" " 25 — 99 " "	1,070
101	" " 100 — 199 " "	10,200
49	" " 200 — 299 " "	9,925
18	" " 300 — 399 " "	5,400
10	" " 400 — 499 " "	4,000
21	" " 500 — 999 " "	10,900
42	" " 1000 — up " "	958,481
<u>271</u>	Shareholders	<u>1,000,000</u>
	Total shares	

Set out below is a breakdown of the beneficial ownership of shares registered in Nesbitt Thomson's name as at April 2, 1970.

<u>Number of Shareholders</u>	<u>Shareholdings</u>	<u>Number of Shares</u>
3	1 — 99 shares	175
98	100 — 499 "	19,050
15	500 — 999 "	7,600
9	1000 and more	14,200
<u>125</u>		<u>41,025</u>

FINANCIAL STATEMENTS

RIPLEY INTERNATIONAL LIMITED

(Incorporated under the laws of Ontario)
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

October 31, 1969

(With comparative figures at October 31, 1968)

ASSETS		1969	1968
Current:			
Cash		\$ 225,857	\$ 90,569
Term bank deposits		443,695	—
Inventory, at lower of cost or net realizable value		64,165	22,160
Prepaid expenses		37,073	37,287
Total current assets		770,790	150,016
Fixed, at cost (note 3):			
Building		125,817	125,817
Exhibition materials, office and other equipment (note 2)		1,472,482	69,547
		1,598,299	195,364
Less accumulated depreciation		261,264	54,206
		1,337,035	141,158
Leasehold improvements, less amortization		121,719	128,180
Land		120,312	108,000
Total fixed assets		1,579,066	377,338
Other:			
Trade marks, at cost (note 2)		3,321,263	—
Deferred expenses, less amounts written off (note 4)		174,558	131,940
Commission and rent paid in advance		—	31,332
Total other assets		3,495,821	163,272
		<u>\$5,845,677</u>	<u>\$690,626</u>

LIABILITIES

Current:			
Current maturities of term bank loan		\$ 53,750	\$240,993
Accounts payable and accrued charges		149,718	85,235
Income and other taxes payable		218,623	51,164
Mortgage installments currently due		12,037	11,754
Due to director		—	69,334
Due to associated companies		—	68,874
Total current liabilities		434,128	527,354
Deferred income taxes		5,817	12,850
Non-current:			
Term bank loan (U.S. \$1,000,000) (note 5)		1,075,625	—
Less current maturities included with current liabilities (U.S. \$50,000)		53,750	—
		1,021,875	—
Mortgages (note 6)		74,825	87,265
Total non-current liabilities		1,096,700	87,265
Shareholders' equity:			
Capital (notes 1, 2 and 7)—			
Authorized:			
3,000,000 shares without par value			
Issued:			
1,000,000 shares		3,989,884	1,091
Retained earnings		319,148	62,066
Total shareholders' equity		4,309,032	63,157
		<u>\$5,845,677</u>	<u>\$690,626</u>

On behalf of the Board:

T. Alec Rigby, Director

C. H. Bristoll, Director

(See accompanying notes to consolidated financial statements)

RIPLEY INTERNATIONAL LIMITED

and Subsidiary Companies

AUDITORS' REPORT

To the Shareholders of Ripley International Limited (formerly Talex Corporation Limited):

We have examined the consolidated balance sheet of Ripley International Limited and its wholly-owned subsidiaries as at October 31, 1969, and the statements of consolidated earnings and retained earnings and of source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1969, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the pooling of interests basis of accounting with respect to the consolidation of the accounts of certain subsidiaries as explained in note 2 to the consolidated financial statements.

Toronto, Canada,
December 31, 1969.

Clarkson, Gordon & Co.
Chartered Accountants

(See accompanying notes to consolidated financial statements)

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

For the Year Ended October 31, 1969

Income from museum operations, royalties, and other sources	.....	\$1,596,127
Operating costs and expenses other than those noted below	.....	852,245
		743,882
Deduct:		
Bank loan and other interest	.....	66,689
Depreciation and amortization of leasehold improvements (note 3)	.....	71,717
Amortization of museum pre-opening and set-up expenses (note 4)	.....	51,519
Amortization of financing expenses (note 4)	.....	4,908
Remuneration of directors and senior officers	.....	59,043
		253,876
Consolidated earnings before income taxes and extraordinary item	.....	490,006
Income taxes	.....	211,924
		278,082
Extraordinary item being reduction in income taxes of a subsidiary through carry-forward of prior years' losses (note 9)	.....	14,000
		292,082
Consolidated earnings for the year	.....	292,082
Consolidated retained earnings, beginning of year	.....	62,066
		354,148
Deduct dividend paid December 20, 1968	.....	35,000
		319,148
Consolidated retained earnings, end of year	.....	<u><u>\$ 319,148</u></u>

(See accompanying notes to consolidated financial statements)

RIPLEY INTERNATIONAL LIMITED

and Subsidiary Companies

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

For the Year Ended October 31, 1969

Funds were provided from:

Operations—

Earnings for the year	\$ 292,082
Add back charges not requiring an outlay of funds in the year:	
Depreciation and amortization of leasehold improvements	71,717
Amortization of financing expenses	4,908
Amortization of museum pre-opening and set-up expenses	51,519
Deferred income taxes	(7,033)

Total funds provided from operations	413,193
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Proceeds from issue of share capital—

Treasury shares issued (note 7)	3,802,006
Shares issued by International Wax Museums Limited in consideration of the assumption by shareholder of company debt	186,787
Bank borrowings, less amounts due within one year included in current liabilities	1,021,875
Other	38,626

Total funds provided	5,462,487
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Funds were applied to:

Purchase of Ripley Companies—

Purchase price of shares	4,404,466
Net current liabilities of Ripley Companies at date of acquisition	68,366

Effective cost of land (\$12,312) exhibition materials, office and other equipment (\$1,139,256) and trade marks owned by Ripley Companies	4,472,832
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Purchase of additional exhibition materials and leasehold improvements	130,107
Deferred financing expenses	98,108
Dividend paid December 20, 1968	35,000
Decrease in non-current portion of mortgages payable	12,440

Total funds applied	4,748,487
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Excess of funds provided over funds applied resulting in an increase of working capital during the year of

714,000

Deficiency of working capital, beginning of year

377,338

Working capital, end of year

\$ 336,662

(See accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1969

1. Supplementary letters patent

On April 25, 1969, the Company obtained supplementary letters patent under which, among other things,

- the authorized capital was decreased by cancelling the then existing 3,600 6% preference shares of a par value of \$10 each;
- each of the 3 then issued and outstanding common shares was sub-divided into 70,857 shares without par value;
- the authorized capital was increased to 3,000,000 shares without par value.

On May 29, 1969, further supplementary letters patent were obtained changing the Company from a private to a public company and changing its name from Talex Corporation Limited to Ripley International Limited.

2. Acquisition of subsidiaries, principles of consolidation and translation of U.S. currency

The accompanying consolidated financial statements include the accounts of the wholly-owned subsidiary, Talex California, Inc., as well as the accounts of the newly-acquired subsidiaries to the extent referred to below.

On April 28, 1969, the Company acquired all the issued and outstanding shares in the capital of Talex Illinois, Inc. and of International Wax Museums Limited in exchange for the issue from treasury of 210,000

shares of the Company's capital stock. The accounts of these subsidiaries (including the accounts of London Wax Museum of Florida, Inc., a wholly-owned subsidiary of International Wax Museums Limited) are consolidated with those of the Company on the pooling of interests basis of accounting; accordingly, the consolidated financial statements include the assets and liabilities and items of income and expense of these companies as though they had always been subsidiaries, and the shares issued by the Company in exchange for their shares are included in the consolidated balance sheet at the values at which the subsidiaries' shares were originally issued. Amounts set out in the comparative consolidated balance sheet at October 31, 1968, have been restated to reflect this basis of accounting.

On April 30, 1969, the Company, through a newly-incorporated, wholly-owned subsidiary, Talex New York, Inc., purchased all the issued and outstanding shares of Ripley Enterprises, Inc., John Arthur Exhibitions, Inc., Ripco, Inc., B.I.O.N. Enterprises Corporation, and Ripley Museum, Inc. (the "Ripley Companies") for a total cash consideration, including legal and other costs, of \$4,404,466. The accompanying consolidated balance sheet at October 31, 1969, includes the accounts of the Ripley Companies with the excess of the purchase price of their shares over the underlying book value of the net assets acquired applied to trade marks (\$3,177,048) and to exhibition materials, office and other equipment (\$979,236). The accompanying statements of consolidated earnings and retained earnings and of source and application of funds include the results of operations of the Ripley Companies from date of acquisition to October 31, 1969.

The consolidated financial statements also include the accounts of Standard Outdoor Advertising, Inc., a wholly-owned subsidiary, which was incorporated in October, 1969.

Transactions of the subsidiaries are in most instances effected in United States currency. Current assets and current liabilities of the subsidiaries have been converted into Canadian currency in the accompanying consolidated balance sheet at the rate of exchange prevailing at October 31, 1969, and other assets and liabilities at the rates applicable at dates acquired or incurred. Income and expenses, other than depreciation and amortization, of the subsidiaries have been converted to Canadian currency in the accompanying statement of consolidated earnings and retained earnings at the average rate of exchange prevailing in the year.

Because the operating results of the subsidiaries acquired in the year ended October 31, 1969, have a significant effect on the consolidated results of operations for the year then ended, a meaningful comparison cannot be made with the consolidated operating results for the preceding year; accordingly comparative figures for that year are not set out in the accompanying statements of consolidated earnings and retained earnings and of source and application of funds.

3. *Depreciation of fixed assets and amortization of leasehold improvements*

Rates and bases of depreciation of fixed assets and amortization of leasehold improvements are as follows:

Buildings—5% per annum, straight line basis.

Exhibition materials, office and other equipment—at rates ranging from 2% to 25% depending upon estimated useful life, in part on a straight line basis and in part on a diminishing balance basis.

Leasehold improvements—over the terms of the respective leases on a straight line basis.

4. *Deferred expenses*

These consist of:

Museum set-up expenses	\$ 81,358
Financing expenses	93,200
	\$174,558

The Company's policy is to amortize museum set-up expenses over the life of the leases of the respective museum properties.

Deferred financing expenses which include legal, audit, and other costs relating to the obtaining of the term bank loan and the sale of shares as referred to in note 7 below are being amortized over a ten-year period commencing July 1, 1969.

Deferred pre-opening expenses of \$25,700 included with deferred expenses at October 31, 1968, were fully amortized against operations in the year ended October 31, 1969.

5. *Term bank loan*

The bank loan bears interest at 1½% above the bank prime rate of interest in New York and is repayable in fifteen quarterly installments of U.S. \$50,000 commencing August 1, 1970, with the balance due on May 1, 1974. In addition to the aforementioned quarterly installments, to the extent consolidated net earnings (as defined) of the Company and subsidiaries in fiscal years commencing with the year ending October 31, 1970, exceed \$200,000 pre-payments equal to the lesser of \$125,000 or 50% of such excess are required to be made on February 1 of the year following such fiscal year. The required prepayments may be made by the Company in whole or in part in advance.

The bank loan is secured by assignments of certain trade marks, by the guarantees of all subsidiaries and by the pledging of all of their shares. In connection with the loan, the Company has agreed, among other things,

- to maintain its consolidated working capital at not less than \$150,000. For this purpose consolidated working capital is defined as the excess of current assets over current liabilities exclusive of any currently due portion of the term bank loan;
- not to make certain cash disbursements (as defined), including cash dividends, in any year in excess of 50% of consolidated net earnings (as defined) for the preceding year.

6. *Mortgages*

Mortgages which are secured by the real estate of a subsidiary consist of:

6¼ % first mortgage due March 1, 1980	.....	\$78,262
6% second mortgage due February 1, 1971	.....	8,600
		86,862
Less principal installments due within one year included with current liabilities	.....	12,037
		\$74,825

7. *Share capital and share purchase warrants*

In addition to the 210,000 shares issued in exchange for shares of Talex Illinois, Inc. and International Wax Museums Limited as referred to in note 2 above, the Company issued shares from its treasury during the year as follows:

Number of shares	Consideration	Amount credited to share capital
3,571	Cash	\$ 25,000
2,428	Assumption by shareholder of Company debt	16,996
571,430	Cash, pursuant to an underwriting agreement	3,760,010

Of the Company's authorized but unissued share capital, 60,000 shares are reserved in respect of outstanding warrants to purchase shares at any time to April 30, 1974, at \$10 per share, which price is subject to adjustment in certain circumstances. These warrants were issued in consideration of the making of the bank loan referred to in note 5 above and the obtaining of certain interim financing in connection with the purchase of the Ripley Companies.

A further 50,000 authorized but unissued shares are reserved in respect of an employees' share option plan under which full-time senior officers and employees may be granted options, exercisable within five years from the granting thereof, to purchase up to that number of shares in the aggregate at a price of not less than 90% of the market price of the shares at the date of grant of the options. At October 31, 1969, options had been granted on 33,000 shares under the plan entitling the employees concerned to purchase shares at \$7 per share at any time to mid-1974.

8. *Commitments*

The Company and its subsidiaries are committed under various lease and other agreements, subject to renewal options in certain instances, in respect of museum and office premises, and in respect of certain exhibition materials and rights, to minimum annual payments of approximately \$183,000 in 1970 reducing in stages to \$19,000 in 1978 and in each of the following 19 years.

9. *Income taxes*

At October 31, 1969, certain subsidiaries had aggregate losses totalling approximately \$10,000 which are available to apply for income tax purposes against such profits as may arise in future years, within the limitations prescribed by taxation law.

RIPLEY INTERNATIONAL LIMITED

and Subsidiary Companies

PRO FORMA STATEMENT OF CONSOLIDATED EARNINGS

For the Year Ended October 31, 1969

Income from museum operations, royalties and other sources	.....	\$1,855,342
Operating costs and expenses other than those noted below	.....	927,905
		927,437
Deduct:		
Bank loan and other interest	.....	106,171
Depreciation and amortization of leasehold improvements	.....	90,637
Amortization of museum pre-opening and set-up expenses	.....	51,519
Amortization of financing expenses	.....	9,816
Executive salaries	.....	82,540
		340,683
Pro forma earnings before income taxes and extraordinary item	.....	586,754
Pro forma income taxes	.....	267,600
		319,154
Pro forma earnings before extraordinary item	.....	319,154
Extraordinary item being reduction in income taxes of a subsidiary through carry forward of prior years' losses	.....	14,000
		\$ 333,154

(See accompanying notes to the above statement)

RIPLEY INTERNATIONAL LIMITED

and Subsidiary Companies

AUDITORS' REPORT

To the Directors of Ripley International Limited:

We have examined the pro forma statement of consolidated earnings of Ripley International Limited and subsidiary companies for the year ended October 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion this statement presents fairly the results of the companies' operations for the year ended October 31, 1969, after giving effect to the adjustments set forth in note 2 to the statement, in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada,
December 31, 1969.

Clarkson, Gordon & Co.,
Chartered Accountants.

NOTES TO THE PRO FORMA STATEMENT OF CONSOLIDATED EARNINGS

For the Year Ended October 31, 1969

1. *Basis of Pro Forma Consolidation*

On April 30, 1969, the Company acquired all the issued and outstanding shares in the capital stock of Talex Illinois, Inc. and International Wax Museums Limited and at the same date, through a newly-incorporated wholly-owned subsidiary, purchased all the issued and outstanding shares of Ripley Enterprises, Inc., John Arthur Exhibitions, Inc., Ripco, Inc., B.I.O.N. Enterprises Corporation, and Ripley Museum, Inc. (the "Ripley Companies"). In October, 1969, an additional wholly-owned subsidiary, Standard Outdoor Advertising, Inc., was incorporated.

The accompanying pro forma statement of consolidated earnings incorporates the operating results of all subsidiaries including the operating results of the newly-acquired subsidiaries noted above as though such subsidiaries had been purchased on November 1, 1968.

2. *Pro Forma Adjustments*

The pro forma statement of earnings gives effect to the following adjustments in the six months ended April 30, 1969, the date of purchase of the newly-acquired subsidiaries referred to in (1) above.

- a) Bank loan and other interest has been increased to reflect an allowance for additional interest which would have been charged had a bank loan of U.S. \$1,000,000 required to partly finance the purchase of the Ripley Companies been obtained on November 1, 1968.
- b) An allowance has been made for the amortization over a ten-year period of financing costs totalling \$98,108 incurred in connection with the obtaining of the aforementioned bank loan and the issue pursuant to an underwriting agreement dated June 25, 1969, of 571,430 shares of the Company's capital stock for a total consideration of \$3,760,010.
- c) To April 30, 1969, certain subsidiaries paid salaries to their executive officers which varied from year to year, and certain of the other subsidiaries paid management fees. The employment of these officers, as well as the contracts giving rise to the management fees, terminated on that date; accordingly, amounts paid in respect of such salaries and fees have been eliminated in the pro forma statement of consolidated earnings and have been replaced with allowances for remuneration of the Company's executive officers at current salary rates fixed by employment contracts.
- d) Travel and promotion expenses incurred by the officers of subsidiaries whose employment was terminated as explained in (c) above are not considered representative of costs subsequently incurred; accordingly, such prior expenses have been eliminated from operating costs in the pro forma statement of consolidated earnings and have been replaced with allowances for travel and promotion expenses based on Company estimates.
- e) Amounts included in the pro forma statement of consolidated earnings for depreciation of fixed assets have been increased above amounts charged by the Ripley Companies to reflect additional depreciation which would have been charged in the period had the Ripley Companies been acquired at November 1, 1968. This additional depreciation is in respect of the portion (\$979,236) of the excess of the purchase price of the shares of such companies over underlying net book values which has been allocated to fixed assets.
- f) Certain non-recurring costs incurred by the Ripley Companies prior to November 1, 1968, were deferred and amortized against operations in subsequent periods. The amortization of such costs ceased at April 30, 1969, and accordingly amortization charges in the prior six-month period have been eliminated in the pro forma statement of consolidated earnings.
- g) Amounts shown for income taxes have been provided at the effective rates applicable in the jurisdictions in which the Company and its subsidiaries operate.

